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SUPREME COURT, U.S.

No. 99-775

IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1999

LUCENT INFORMATION MANAGEMENT, INC.,
Petitioner,

v.

LUCENT TECHNOLOGIES INC.,
Respondent.

On Petition for Writ of Certiorari
To the United States Court of Appeals
For the Third Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Did the Court of Appeals err in holding that Petitioner's single sale to a friend did not perfect enforceable common law rights in the LUCENT trademark prior to the filing date of Respondent's intent to use application?

LIST OF PARTIES

The parties are stated correctly in the Petition.

Respondent, Lucent Technologies Inc. has the following non-wholly owned subsidiaries:

AG Communications Systems Corp.
AT&T Consumer Products (Asia/Pacific) Ltd.
Lucent Technologies Finolex Fiber Optic Cables Ltd.
AT&T Network Technologies (Thailand), Ltd.
TATA – Lucent Technologies Ltd.
Elecon Lucent Technologies C.A.
Lucent Technologies Business Communications Systems Colombia S.A.
Lucent Technologies Semiconductor Marketing Ltd.
Lucent Technologies Sviazstroy-1 Fiber Optic Cable Company
Lucent Technologies Taiwan Tele. Co. Ltd.
Lucent Technologies Yazaki Ltd.
P.T. Lucent Technologies Network Systems Indonesia
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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Petitioner's complaint alleges that respondent's use of the LUCENT name and mark infringes Petitioner's prior rights in LUCENT under the Lanham Act, 15 U.S.C. §1051 *et. seq.* Petitioner, Lucent Information Management, Inc. ("LIM"), has no federal registration for LUCENT. Before the District Court, LIM waived any claim of priority based on use of LUCENT in advertising and marketing (App. p. 38a). LIM claimed priority based solely on a single sale of a product to a friend of two officers of the company (App. p. 29a).

The District Court and the Court of Appeals correctly relied on established precedent to find that LIM's single sale was insufficient to establish prior rights as a matter of law. The decision is not in conflict with decisions from other circuits and represents no change in established law.

I. Statement of the Case

A. LTI's Date of Priority Is Established by Its Application for Registration of the LUCENT Trademark

Respondent, Lucent Technologies Inc. ("LTI"), through its predecessor in interest, AT&T Corp., filed an application to register LUCENT on November 30, 1995 (App. p. 30a). The application was based on an intent to use the mark in commerce, in accordance with Section 1(b) of the Lanham Act, 15 U.S.C. §1051(b). The District Court and the Court of Appeals concluded that LTI has priority over anyone using the mark after that date, and LIM has not challenged that conclusion. Thus, LIM was required to show that it had perfected rights in LUCENT before November 30, 1995, in order to have priority (App. p. 7a, 35a).

B. LIM's Adoption and Use of LUCENT

LIM was incorporated in August, 1995, but did not conduct business at that time. LIM consulted with trademark counsel in September, 1995, about the proposed name LUCENT, but did not file an application for registration until April 29, 1996. At that time, in that application LIM claimed, under oath, that LIM first used the mark LUCENT on March 6, 1996, several months after the priority date established by LTI's application for registration (App. p. 31a). After filing the complaint in this case, LIM amended its application to claim September 5, 1995, as its date of first use. That date was based on a letter sent under the letterhead of Corporate Consultants, Inc., a separate company also operated by one of LIM's principals (App. p. 32a). LIM subsequently abandoned its claim to that date of first use (App. p. 38a).

Before the District Court, LIM expressly asserted that decisions involving trademark rights established by prior advertising and promotion of a mark were "entirely inapplicable to the case at bar," and chose to rely only on one claimed sale under the mark (App. A, 38a). Thus, LIM waived any claim that it "engaged in bona fide and continuous commercial activity" under the mark based on "personal solicitations, distribution of business cards or sales presentations," contrary to what it now tries to argue (Pet. p. 11).

Even if LIM's argument that it acquired rights through promotion was allowed, the facts show that LIM did not promote the LUCENT name in a manner sufficient to create rights prior to November 30, 1995. LIM's advertising and promotion of LUCENT before that date was limited to: (1) a single letter sent by Norman Feinstein, LIM's CEO, to 25 to 50 people on the letterhead of a different company announcing his plan to become involved in a new business;

(2) three sales presentations to friends; and (3) the distribution of business cards. None of those contacts resulted in sales. LIM concedes that it engaged in no public or paid advertising of the LUCENT mark (App. p. 38a).

Thus, as it stated before the District Court, LIM must rely on sales prior to November 30, 1995, to claim prior rights (App. p. 38a). LIM argues it made two such sales under the LUCENT mark (Pet. p. 7). The first involved the sale of a modem to the Israel Bonds Office in Philadelphia on October 16, 1995. The transaction does not appear anywhere on LIM's financial transaction report, which begins on September 20, 1995. LIM's CEO testified by deposition that LIM had no sales prior to November 30, 1995, and LIM's Answers to Interrogatories state that the first sale was not made until 1996 (App. pp. 38a-39a). The testimony of the LIM official that had the contact with the Israel Bonds Office is that the contact came from a personal friend of two LIM officers. The only invoice for the transaction instructed that payment be made to a LIM officer individually, not to LIM. Nevertheless, the District Court assumed that the transaction involved the sale of goods by LIM, but held that this one sale was insufficient to establish priority (App. p. 38a).

The evidence of the second alleged sale by LIM involved an order from Corporate Consultants, a company owned by LIM's chief officer, which shares office space and staff with LIM. The transaction does not appear in LIM's sales records or interrogatory answers. The District Court and Court of Appeals correctly held that this internal transaction could not be considered public use of the mark by LIM (App. p. 10a, 39a).

C. LIM's Objection To Respondent's Use of LUCENT

On February 5, 1996, AT&T announced the creation of LTI. On March 15, 1996, LIM objected to LTI's use of the LUCENT mark, falsely claiming in correspondence to LTI:

> In August and September, 1995, [LIM] began corresponding under the LUCENT name. . . . This was a nationwide effort. . . . A copy of the letter sent at that time, with the addresses redacted, is enclosed. I also enclose a brochure available from [LIM] at that time. . .

The enclosures were a letter on LIM letterhead dated September 15, 1995, and a promotional brochure. Subsequently, during discovery, LIM admitted that the letter had actually not been sent out on LIM letterhead and that neither the LIM letterhead nor the brochure existed before LTI filed its trademark application on November 30, 1995 (App. p. 29a).

II. Reasons the Petition Should be Denied

A. The Court of Appeals Decision Does Not Create New Barriers To Common Law Rights

LIM argues that the Court of Appeals created a new threshold for establishing prior rights and that "a race to registration" should "not determine trademark priority" (Pet p. 10). In fact, the Court of Appeals correctly applied the Congressional mandate that priority is to be determined by the filing of an intent to use application for registration. 15 U.S.C. § 1051(b). Congress enacted the intent to use provision in 1989, and the provisions of 15 U.S.C. § 1057(c) give the applicant priority as of the filing date of the application. The Court of Appeals therefore did not create a

barrier to common law rights; rather, it followed the federal statute and established case law in holding that the single sale shown by LIM did not perfect common law rights prior to the statutory priority created by the filing of LTI's intent to use application (Pet. p. 10).

The Court of Appeals expressly recognized that common law trademark rights can be created through use in commerce, but held that LIM's use was insufficient to perfect any such rights (App. pp. 10a-11a). Because LIM failed to apply for a trademark registration, the Court of Appeals required LIM to show it had made prior use of the mark "in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark," relying on Blue Bell, Inc. v. Farah Mfg. Co. Inc., 508 F.2d 1260, 1266 (5th Cir. 1975). The Blue Bell case was the principal authority cited by LIM to support its position. LIM's argument before the Court of Appeals consistently quoted isolated dicta from the Blue Bell case, yet ignored the requirement of public identity and recognition actually established by the case. LIM repeats its error before this Court.

To determine whether LIM's one sale established public identity and priority, the District Court and the Court of Appeals applied a four factor test set forth in Natural Footwear Ltd. v. Hart, Schafner & Marx, 760 F.2d 1383, 1398-99 (3rd Cir. 1985). Although initially developed to determine the scope of geographic rights in a trademark, the Court of Appeals noted that the Natural Footwear factors served as a guideline to evaluate priority (App. p. 9a). That conclusion is logical because it would be absurd to conclude that a single sale is insufficient to establish priority in a local area but is sufficient to grant nationwide rights. Considering the guidelines set forth in the Natural Footwear case, the Court of Appeals held that LIM's activities before November 30, 1995, were insufficient as a matter of law to establish

priority (App. pp. 10a-11a). The Court of Appeals also relied on the long established test for priority set forth in Blue Bell and other cases. Zazu Designs v. L'Oreal S.A., 979 F.2d 499, 503 (7th Cir. 1992). Contrary to LIM's argument, the Court of Appeals did not establish a new threshold test requiring "longevity, media advertising and commercial success to establish prior rights" (Pet. p. 10). The Court of Appeals followed the long established test that the mark must be used in a way sufficiently public to distinguish the goods to an appropriate segment of the public and agreed with the District Court that LIM's single sale prior to LTI's November 30, 1995 filing date was not sufficient to meet this standard (App. pp. 10a-11a).

B. The Court of Appeals Decision Does Not Create a Division Amount the Circuits

LIM erroneously contends that the Court of Appeals decision "stands in stark contrast to the approach of the other courts of appeals" (Pet. p. 13). In fact, the decision is consistent with the approach found in the other circuits.

LIM argues that decisions of the Second, Fifth, Sixth, Seventh and Federal Circuits conflict with the Court of Appeals decision here, but there is no conflict. For example, LIM cites Blue Bell, Inc. v. Farah Mfg. Co, Inc., 508 F.2d 1260, 1266 (5th Cir. 1975), as the decision on which it principally relies to show a conflict. In that case, the Fifth Circuit stated that for use to be sufficient to establish common law rights in a trademark, the use must be "sufficiently public to identify or distinguish the marked goods in a appropriate segment of the public mind as those of the adopter of the mark." As previously noted, that test was expressly followed by the Court of Appeals in the present case (App. pp. 7a-8a).

To attempt to establish a conflict with the Seventh Circuit, LIM cites only to the pre-Lanham Act decision in Kathreiner's Malzkaffee Fabriken v. Pastor Kneipp Medicine Co., 82 Fed. 321, 326 (7th Cir. 1897). In a more recent decision under the Lanham Act, Zazu Designs v. L'Oreal S.A., 979 F2d 499 (7th Cir. 1992), the Seventh Circuit held that a small amount of prior sales was insufficient as a matter of law to establish priority, which is consistent with the holding in the present case.

LIM also claims a conflict with the Federal Circuit by citing Hydro-Dynamics, Inc. v. George Putnam & Co., 811 F.2d 1470, 1474 (Fed. Cir. 1987). However, because that decision involved the issue of use sufficient to support an application for registration, not use sufficient to create common law rights, it is not relevant. In T.A.B. Systems v. PacTel Teletrac, 77 F.3d 1372, 1375-77 (Fed. Cir. 1996), the Federal Circuit applied a similar standard to that of the Court of Appeals here. The Court held that evidence of use far greater than that relied on by LIM was legally insufficient for PacTel to establish prior common law rights because the marketing efforts had failed to reach more than a negligible share of potential customers.

The Second Circuit also follows the Blue Bell standard. See, e.g., Warnervision Entertainment, Inc., v. Empire of Carolina, Inc., 915 F.Supp. 639, 645-46 (S.D.N.Y. 1996),(quoting Blue Bell), aff'd in relevant part, rev'd in other part, 101 F.3d 259, 263 (2d Cir. 1996). However, the authority cited by LIM from the Second Circuit does not address the question of the amount of use sufficient to create common law rights. In La Societe Anonyme v. Jean Patou, Inc., 495 F2d. 1271 (2d Cir. 1974), there was no issue as to priority; rather, LIM relies solely on dicta relating to a trademark maintenance program.

Finally, LIM's reliance on Allard Enterprises v. Advanced Programming Resources, 146 F.3d 350 (6th Cir. 1998), as a conflict with the Court of Appeals decision is wrong. In Allard, the defendant began using the contested mark five years before the plaintiff. The Court of Appeals relied on the Blue Bell decision and found that the defendant's use was sufficiently public to establish common law rights. The decision is based on five years of consistent and continuous, although limited, prior use which was expressly found to have achieved widespread public recognition. As noted in a subsequent decision by the same Court of Appeals, Circuit City Stores, Inc. v. Carmax, Inc., 165 F.3d 1047, 1055 (6th Cir. 1999), the holding in Allard was based on "good evidence of widespread public recognition of the defendant's use of the service mark." Here, by contrast, LIM did not and cannot present evidence of either consistent or continuous use or widespread public recognition prior to LTI's application for registration.

Thus, there is no basis for LIM's assertion that "a different result would have been reached" in other circuits (Pet. pp. 13-14). Similarly, there is no basis for LIM's claim that the likely effect of the Court of Appeals decision in this case is that "a small-scale enterprise will be precluded from establishing common law rights" (Pet. p. 11). Small-scale enterprises continue to have the ability to establish common law rights through use "sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind," as shown in the Allard decision and in the other decisions that follow Blue Bell.

Moreover, LIM, like any enterprise, large or small, could have immediately established trademark priority without any use by applying for a federal trademark registration based on an intent to use the mark in commerce. 15 U.S.C. § 1051(b). The very purpose of the intent to use statute was to allow a potential user to establish priority and

rely on that priority in going forward. That is what LTI did here and what LIM chose not to do.

III. Conclusion

This is an unexceptional trademark case which presents no important question of federal law and no circuit conflict. The Court of Appeals properly applied traditional precedent followed in the various circuits and correctly concluded that the evidence presented by LIM was insufficient as a matter of law to establish prior common law trademark rights. For these reasons, the petition for certiorari should be denied.

Respectfully submitted,

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